

DAMAR CHARTER ACADEMY

2011-2012 Performance Analysis

Core Question 2: Is the organization effective and well-run?

2.1. Is the school in sound fiscal health?	
STANDARD	The school presents significant concerns in no more than <u>one</u> of the following areas: a) its state financial audits (e.g., presence of “significant findings”); b) its financial staffing and systems; c) its success in achieving a balanced budget over the past three years; d) the adequacy of its projections of revenues and expenses for the next three years; e) its fulfillment of financial reporting requirements under Sections 10 and 17 of the charter agreement. In addition, if the school presents significant concerns in one area, it has a credible plan for addressing the concern that has been approved by the Mayor’s Office.

2011-12 Performance: **Meets Standard**

A) The School’s Financial Audits (e.g. presence of “significant findings”)

Both Damar Services (the school’s Education Management Organization) and Damar Charter Academy received clean audit opinion. The school’s financial (GAAP) audit presented no material weaknesses or significant deficiencies. The school’s procedural audit did, however, present significant findings. The audit was completed by BKD CPAs & Advisors. They stated “We observed the following matter that we consider to be a material weakness”. The audit goes on to state that BKD (the auditors) proposed “to decrease grants receivable by approximately \$135,000, for amounts not yet earned on a government grant”. The school responded to this material weakness stating that it was “a one-time occurrence and represents a timing difference”. Damar Charter Academy further explained that the timing difference occurred with the receipt of the PCSP grant which was awarded in May but not funded until July. The school recognized the funds for the fiscal year ending June 30, 2012, though it should have been recognized in the following fiscal year. While there were concerns regarding the timing of the recognition of the revenue, there were no concerns expressed regarding how the funds were spent or the internal controls of the grant.

BKD also noted a significant deficiency. The audit states that, “Individual journal entries should be formally reviewed and documented prior to the posting in the system. In addition, account reconciliations should be formally reviewed and approved. These controls will strengthen the controls over financial reporting”. The school responded to this deficiency stating that, “Additional controls are in place”. Though Damar Charter Academy officials were already in the habit of discussing journal entries before making them, the school’s officials will now initial the journal entries when they are discussed.

Further, the auditors noted an additional area for consideration that was neither a material weakness nor a significant deficiency.

- **Conflict of Interest Questionnaires:** The auditors noted that board members and key employees did not have a conflict of interest questionnaire completed on the IRS Form 990. The school has rectified this matter by sending the required form to the State Board of Accounts on Friday, December 14, 2012.

Lastly, the auditors presented the school with the recommendation below.

- **Current Economic Conditions:** The auditors encourage the school and its board to be increasingly vigilant in monitoring the value of assets and liabilities in their financial statements due to the current economic decline. In its response, the school explained that it discloses all significant estimates and material concentrations. They explain, “Significant estimates are estimates at the balance sheet date which could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets for which events could occur which would significantly disrupt normal fiancés within the next year”.

Given that a material weakness, significant deficiency, and a consideration exist, our office will continue to work closely with the school to ensure that policies and procedures are in place to prevent the challenges that occurred this year from reoccurring.

B) The School’s Financial Staffing and Systems

The school has established adequate staffing and systems for managing its finances. Damar Charter Academy’s financial staff includes Rich Harcourt, the Board Assistant Secretary, Board Assistant Treasurer, and School Treasurer. It also includes Elaine Showalter who is the Accounting Director and Controller as well as Lori Veshia who is the school’s accountant. Additionally, the school contracts with Bookkeeping Plus, Inc. for the preparation of its financial statements

C) The School’s Success in Achieving a Balanced Budget Over the Past Three Years

The school is only in its second year of operation. So, we cannot evaluate their ability to achieve a balanced budget over the past three years. The audit does, however, indicate that the school had revenue over expenses of \$708,880 and an ending balance of \$611,304. This indicates that the school ended FY ’12 on track to be financially sustainable.

D) The Adequacy of the School's Projections of Revenues for the Next Three Years

Damar Charter Academy has provided adequate budget projections for the next 3 years. The table below indicates the anticipated net incomes and ending balances for the coming years.

Year	Ending Balance
FY '13	\$210,368
FY '14	\$210,199
FY '15	\$161,959

While we currently have no concerns regarding the school's projections, our office will continue to meet with the school quarterly to monitor its financial progress.

E) The School's Fulfillment of Financial Reporting Requirements under Sections 10 and 17 of the Charter Agreement

The school has fulfilled financial reporting requirements under Sections 10 and 17 of the charter agreement.

2.2. Are the school's student enrollment, attendance, and retention rates strong?	
STANDARD	The school is consistently fully enrolled. Student attendance and retention rates are generally at or above the school's agreed-upon target rates.

2011-12 Performance: Approaching Standard

Damar Charter Academy fell slightly below enrollment targets set for 2011-12. The following chart displays the school's target enrollment compared with its official fall enrollment, as reported by the IDOE.

Year	Target Enrollment	Fall Enrollment	Percent Below
2011-12	150	146	2.7%

***Source:** Official fall enrollment figures from the IDOE. Target enrollment is the maximum capacity from the school's charter agreement with the Mayor's Office, submitted by the school.*

The 2011-12 attendance rate at Damar was above the averages of both the county and the state.

	DAMAR	MC	IN
2011-12 Attendance rate	98.2%	96.06%	96.1%

No targets have been established for student retention rates for Damar Charter Academy.

Based on the 2011-12 performance, Damar Charter Academy is approaching the Mayor's Office standard for this indicator because they were not fully enrolled and had an attendance rate higher than that of both the state and county.

2.3. Is the school's Board active and competent in its oversight?	
STANDARD	The Board's membership collectively contributes a broad skill set and fair representation of the community; Board members are knowledgeable about the school; roles and responsibilities of the Board are clearly delineated; Board meetings reflect thoughtful discussion and progress in the consideration of issues; overall, the Board provides consistent and competent stewardship of the school.

2011-12 Performance: Meets Standard

The board of directors at Damar Charter Academy is active, experienced, and provides competent oversight of the school. Additionally, the board is comprised of members with a diverse range of professional expertise and extensive knowledge about the school, its policies and its issues of concern. Membership of the board has remained stable over time. The board has been actively involved in board-appropriate decisions such as the hiring and evaluation of the school's principals.

The Mayor's Office regularly attends quarterly board meetings and examines minutes of meetings held by the board. At meetings, the board consistently makes quorum and actively engages in the oversight of many aspects of school operations, including academic achievement, curriculum, professional development, programming, and extra-curricular activities. Therefore, for the 2011-12 academic year, Damar Charter Academy meets the Mayor's Office standard for this indicator.

2.4. Is there a high level of parent satisfaction with the school?	
STANDARD	More than 80% but less than 90% of parents surveyed indicate that they are satisfied overall with the school.

Not Evaluated. In the spring of each year, researchers administer anonymous surveys to parents of students enrolled at Mayor-sponsored charter schools. In 2011-12, 5 Damar Charter Academy parents responded to the survey. Accordingly, the survey information received was not statistically significant; therefore, the school could not be evaluated on this indicator for 2011-12.

2.5. Is the school administration strong in its academic and organizational leadership?	
STANDARD	The school's leadership a) has sufficient academic and/or business expertise; b) has been sufficiently stable over time; c) has clearly defined roles and responsibilities among leaders and between leaders and the Board; d) actively engages in a process of continuous improvement which has led to some mid-course corrections.

2011-12 Performance: Meets Standard

The administration at Damar Charter Academy is strong in its academic and business expertise. The Principal is an exemplary leader who continues to work closely with the board to implement policies and programs and to ensure the effective and efficient day-to-day operations of the school. In 2011-12, leadership at the school was well-organized, effective, and meets the Mayor's Office standard for this indicator.

2.6. Is the school meeting its school-specific organizational and management performance goals?	
Meets standard	School has clearly met its school-specific organizational goal.

Not Evaluated. Damar Charter Academy did not have school-specific organizational and management performance goals to be evaluated for 2011-12.